

**CONFIDENTIAL INFORMATION –
SUBJECT TO PROTECTIVE ORDER IN WT DOCKET NO. 09-119**

March 25, 2010

Via Hand Delivery

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th St., SW
Washington D.C. 20554

Re: Supplemental Response to Information Request Re Applications of Atlantic Tele-
Network, Inc. and Cellco Partnership d/b/a Verizon Wireless for Consent To
Assign or Transfer Control of Licenses and Authorizations
(WT Docket No. 09-119)

Telephone USA Investments, Inc. ("Telephone USA"), by its attorneys, is filing the attached supplemental response and supporting documents in response to the Commission's March 12, 2010 information request.¹ The documents submitted by Telephone USA show both that Telephone USA was a serious bidder for the Divestiture Properties, but that the "bidding" process itself was so tainted that it cannot satisfy the public interest standard applicable to a divestiture required by a federal agency. These are the facts established by the record as supplemented by Telephone USA's filing:

- The divestiture process was so rife with material irregularities that Commission cannot grant transfer of the licenses consistent with the public interest standard applicable to an FCC- and DOJ-mandated divestiture. In addition, Verizon Wireless ignored the Commission's directive that it conduct an open bidding process with meaningful inclusion of small businesses, like Telephone USA,
 - Verizon Wireless ignored the Commission's directive that it conduct an open bidding process with meaningful inclusion of small business like Telephone USA.

¹ See Letter from Ruth Milkman, Chief, Wireless Telecommunications Bureau, to Joseph A. Stroud, Chairman, Telephone USA, dated March 12, 2010 (the "March 12 Letter"). The March 12 Letter stated that the Commission "would appreciate receiving your response to each inquiry no later than March 22, 2010." Telephone USA filed its initial response on March 22, 2010, which included extensive documentation of its substantial participation in the bidding process for Verizon Wireless's divestiture process between November 2008 and June 2009. Telephone USA continues to review its files, and reserves the right to make an additional supplemental filing, including additional responses and responsive documents, if necessary.

- Verizon Wireless sold most of the Divestiture Properties to AT&T, the second largest mobile telephone business in the country. AT&T is so confident that the FCC will approve all of its pending transactions that it proposed in its arrangement with Verizon Wireless to convey properties owned by Centennial Communications for which AT&T has not yet received FCC ownership transfer approval. In other words, AT&T and Verizon Wireless are so certain that the FCC will rubber-stamp all of their requests, they have entered into a deal in which AT&T has committed to sell Verizon Wireless properties that AT&T does not yet own.
 - Verizon Wireless invited and encouraged Telephone USA to bid for the properties, told Telephone USA it would work with the company, and indicated that it did not expect financing to be a problem. Then it insisted on third-party financing guarantees, even after Telephone USA explained that small businesses cannot obtain such guarantees without greater certainty about the specifics of a deal. Verizon Wireless apparently wanted Telephone USA to participate so it could say it negotiated with small businesses, but it was unwilling to provide the commitment Telephone USA needed to participate meaningfully in the process. Verizon Wireless was aware of the financial strength of Telephone USA and its owner, which should have alleviated any legitimate concern about whether Telephone USA would be able to secure financing – particularly given the low price ultimately concluded in the agreement with Atlantic Tele-Network (“ATN”).
- The “bidding” process for the Divestiture Properties was a sham.
- Telephone USA submitted four timely bids for the Divestiture Properties that conformed in every way with the deadlines and procedures established by Verizon Wireless.
 - Although Telephone USA’s bids for the properties were higher than the eventual winners, it was not selected to negotiate purchase of the properties.
 - Verizon Wireless’s focus on Telephone USA’s financing is a red herring. Telephone USA’s principal, Joe Stroud has been in the communications industry for more than 30 years and has successfully financed the acquisition and operation of broadcast television and wireline telephone properties. As Telephone USA explained to Verizon Wireless, Mr. Stroud was fully capable of financing acquisition of Divestiture Properties through use of his existing businesses as collateral and through securing debt financing by collateralizing the Divestiture Properties. All Telephone USA needed to close a deal was a commitment from Verizon Wireless.

- Verizon Wireless's selection of ATN as the winning bidder is a mystery.
 - ATN's winning \$200 million bid was less than 15% on a per-sub basis of the price AT&T paid for the majority of the Divestiture Properties just two months earlier, and it was less than 20% of the bid submitted by Telephone USA.
 - No bidder could have predicted that Verizon Wireless would accept such a low price for the properties, and, had that fact been known, Telephone USA could have financed the purchase itself through reliance only on its own properties and cash on hand.
 - Moreover, the evidence shows that ATN is a carrier without any experience in the U.S. retail market and with a poor history of performance in its overseas wireless markets. Telephone USA, on the other hand, has been offering retail wireline service in U.S. markets for a decade.
 - The selection of ATN also was marred by the conflict created by the equity interest in ATN held by Verizon Wireless's agent, Morgan Stanley. During the bidding process, Morgan Stanley increased its stock holdings in ATN significantly, and in the days after the deal was announced, ATN's stock skyrocketed over 40%. Morgan Stanley was tasked with providing Verizon Wireless unbiased advice on the divestiture transaction, and its holding in ATN tainted the integrity of the bidding process. While Verizon, in previous FCC filings, has dismissed this irregularity as insignificant in value to a company the size of Morgan Stanley, it should be noted that Morgan Stanley and other similar companies advertise their services based on percentage value increases in investments. By illustrating their experience choosing to acquire stock in a company whose value increases by over 40%, Morgan Stanley indisputably promotes its core business interests with its investor base in a manner that cannot be judged solely by the dollar value increase of the investment.
- The Commission cannot approve this transaction consistent with the public interest.
 - Verizon Wireless failed to carry out a good-faith, unbiased process to divest properties that were mandated for divestiture by a government Agency. The company also ignored the FCC's directive to meaningfully consider and include small independent businesses like Telephone USA. If the Commission wants such directives taken seriously in the future, it must enforce them now.
 - While the Commission should not be in the business of selecting to whom Verizon Wireless sells its assets, the Alltel divestiture process is occurring under government oversight, and the results must be in the public interest. Approving the tainted process conducted by Verizon Wireless cannot satisfy that test.

At the very least, the Commission should conduct hearings to determine the answers to the many questions raised about the honesty and integrity of the divestiture process raised by Telephone USA in this proceeding.

Attachments to this submission include confidential material subject to the first Protective Order in this proceeding.² The relevant pages of the filing, including all documents produced in response to this request, are marked as directed in the Protective Order. In accordance with the March 12 Letter, Telephone USA is providing an original and one copy of the company's confidential filing and four copies of a redacted version of the filing with the Secretary's Office, as well as additional courtesy copies to parties designated by the Commission as noted below.

Sincerely,

A handwritten signature in black ink, appearing to read 'John R. Feore, Jr.', written over the word 'Sincerely,'.

John R. Feore, Jr.
Counsel for Telephone USA
Investments, Inc.

cc: Wireless Telecommunications Bureau (2 copies of confidential filing, 2 copies of redacted filing)

cc (w/o attachments):

Ruth Milkman
Kathy Harris
Erin McGrath
Stacy Ferraro
David Krech
Neil Dellar
Best Copy and Printing, Inc.

² See Applications of Atlantic Tele-Network, Inc. and Celco Partnership d/b/a Verizon Wireless for Consent To Assign or Transfer Control of Licenses and Authorizations, *Protective Order*, WT Docket No. 09-119, DA 09-2448 (rel. Nov. 19, 2009).